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**ATTORNEYS FOR CALIFORNIA SELF-
INSURERS' SECURITY FUND**

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

**Bankruptcy Case
No. 19-30088 (DM)**

PG&E CORPORATION

Chapter 11

- and -

(Lead Case)

PACIFIC GAS AND ELECTRIC COMPANY,

(Jointly Administered)

Debtors.

**STATEMENT AND RESERVATION
OF RIGHTS OF THE CALIFORNIA
SELF-INSURERS' SECURITY FUND
REGARDING THE DIP MOTION
AND ENTRY OF THE PROPOSED
FINAL DIP ORDER**

- Affects PG & Corporation
 - Affects Pacific Gas and Electric Company
 - Affects both Debtors

All papers shall be filed in the Lead Case, No. 19-030088 (DM)

California Self-Insurers' Security Fund (the "Fund"), by and through its counsel, Nixon Peabody LLP, hereby files this statement and reservation of rights (the "Statement") regarding the *Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 362, 363, 364, 503 and 507, and Fed. R. Bankr. P. 2002, 4001, 6003, 6004 and 9014 For Interim and Final Orders (I) Authorizing the Debtors to Obtain Senior Secured, Superpriority, Postpetition Financing, (II) Granting Liens and Superpriority Claims, (III) Modifying the Automatic Stay, (IV) Scheduling Final Hearing and (V) Granting Related Relief* [Docket No. 23] (the "DIP Motion") with respect to entry of the proposed Final DIP Order.¹ In connection therewith, the Fund respectfully states as follows:

Statement

Prior to the Petition Date, Pacific Gas and Electric Company and certain affiliates (the “Debtors”) elected to self-insure their workers’ compensation obligations under California law. Section 3701 of the California Labor Code requires self-insured employers to deposit security for their obligations in the form of a surety bond issued in favor of the Department of Industrial Relations for the State of California (the “Department”), cash, marketable securities or an irrevocable letter of credit. The amount of the security to be posted by the self-insured employer is determined by, and may be increased or decreased from time to time by, the Department.

On January 16, 2019, prior to the Petition Date, the director of the Office of Self-Insurance Plans (an office of the Department) sent to the Debtors a demand for the posting of additional collateral in accordance with Section 3701 of the California Labor Code (the “Demand”). As a result of and immediately effective upon and contemporaneous with the Demand, the Fund obtained a valid and perfected lien on the Debtors’ assets pursuant to Section 3701(k) of the California Labor Code (the “Fund Lien”).

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the DIP Motion.

1 On January 31, 2019, the Court entered the Interim DIP Order [Docket No. 217] providing
2 for, among other things, treatment of the Fund Lien, and use of the Fund's cash collateral
3 thereunder, on an interim basis, for the period through entry of the Final DIP Order.

4 Since entry of the Interim DIP Order, the Fund has been engaged in productive
5 discussions with the Debtors and the Official Committee of Unsecured Creditors to address the
6 Fund's concerns regarding the treatment of the Fund Lien, and its cash collateral thereunder, with
7 respect to entry of a Final DIP Order. As a result of those discussions, the Fund has reached an
8 agreement with the Debtors concerning language that will be included in the form of proposed
9 Final DIP Order that will allow for the Debtors' continued participation in the self-insurance
10 program of the Department through the pendency of these Chapter 11 Cases and will avoid any
11 disruption of the Debtors' workers' compensation insurance coverage or the need to purchase
12 alternative coverage.

13 By and through this Statement, the Fund expressly reserves any and all rights to object to
14 entry of the Final DIP Order and the Debtors' ongoing participation in the self-insurance program
15 in the event that the proposed form of Final DIP Order fails to contain the agreed upon language
16 or the Debtors or the Court further modify the Final DIP Order in a way that adversely impacts
17 the Fund, the Fund Lien and its cash collateral thereunder without otherwise providing adequate
18 protection in a form acceptable to the Fund.

1 DATED: February 22, 2019

NIXON PEABODY LLP

3 By: /s/ William S. Lisa

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